

Message Text

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PAGE 01 BRIDGE 01173 091558Z

64

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /145 W

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R 082014Z JUL 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 7429

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE BRIDGETOWN 1173

E.O. 11652: TO BE DECLASSIFIED ON JULY 8, 1976

TAGS: EGEN BGEN BB

SUBJ: SQUEEZED MOBIL SEEKS HIGHER FUEL PRICES

REF: BRIDGETOWN 1738 (DECEMBER 19, 1973)

1. MOBIL OFFICIALS INFORMED EMBASSY JULY 5 THAT CONSTANT AND INCREASING LOSSES FROM COMPANY'S BARBADOS REFINERY OPERATIONS MADE LOCAL PRICE INCREASE IMPERATIVE AND THAT, UNLESS RELIEF OBTAINED COMPANY WOULD CONSIDER LIQUIDATION OF ITS LOCAL REFINERY OPERATIONS. OFFICIALS, MOBIL SOUTH, INC. VICE PRESIDENT HENRY J. LUCK, JR. AND REFINERY MANAGING DIRECTOR GORDON SUMPTER TOLD EMBOFF THAT THEY HAD MET WITH BOTH PM BARROW AND TRADE MINISTER BRANFORD TAITT TO ADVISE THEM THAT LOCAL REFINERY LOSSES OVER FIRST FIVE MONTHS OF 1974 HAD WIPED OUT TINY PROFITS OF PAST TEN YEARS AND THAT TOTAL LOSS OF US DOLS 1.5 MILLION WAS NOW PROJECTED FOR CY 1974. MOBIL CALCULATES THAT PRICE RISE OF AT LEAST DOLS .05 PER GALLON OF ALL REFINERY PRODUCTS WAS NEEDED MERELY TO BREAK EVEN. MOBIL OFFICIALS STATED THEY LAID SEVERAL OPTIONS BEFORE GOB INCLUDING:

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PAGE 02 BRIDGE 01173 091558Z

(A) OUTRIGHT ACROSS-BOARD PRICE RISE

(B) SUBSIDIZATION OF MOBIL OPERATION BY OTHER OIL COMPANIES (ESSO, SHELL, TEXACO) AND ELECTRIC CORPORATION THROUGH REDUCTION OF THEIR PROFITS (WHICH MOBIL CLAIMS ARE CONSIDERABLE)

(C) LOWER GOB EXCISE TAX ON FUEL PRODUCTS

(D) COMBINATION OF ABOVE WITH POSSIBLE INTERVENTION OF GOB IN MARKET TO OBTAIN CHEAPER CRUDE SUPPLIES. TAITT REPUTEDLY PROMISED OFFICIALS GOB RESPONSE BY JULY 15.

2. SPECIFIC OPERATIONS OF REFINERY ARE DESCRIBED IN REFTTEL. REFINERY IMPORTS CRUDE AND FEEDSTOCKS FROM VENEZUELA AND FURNISHES LOCAL MARKET WITH ALL REFINED FUELS (GASOLINE, DIESEL, HEROSINE, HEAVY BUNKER FUEL OIL, ETC.) JET FUEL AND AVIATION GASOLINE ARE IMPORTED IN REFINED STATE FROM TRINIDAD/TOBAGO.

3. EMBOFF EXPRESSED VIEW THAT PRESENTATION TO GOB OF WELL-DOCUMENTED CASE AT HIGHEST LEVERS WAS ABOUT ALL MOBIL COULD DO FOR MOMENT. MOBIL OFFICIALS WERE WELL AWARE OF POLITICAL RAMIFICATIONS OF PRICE RISE IN VIEW OF BARBADOS STAGGERING INFLATION RATE (RUNNING OVER 40 PERCENT THUS FAR FOR 1974), RECENT CONSUMER PROTESTS, AND TIGHT FINANCIAL POSITION OF GOB. MOBIL REPS DID NOT VENTURE PREDICTION OF ULTIMATE GOB POLICY BUT MADE OBSERVATION THAT SENATOR TAITT HAD SEEMED MORE RECEPTIVE TO MOBIL PRESENTATION EARLIER IN MONTH THAN LAST WEEK.

4. LUCK DESCRIBED BARBADOS REFINING OPERATIONS AS "TOTALLY MARGINAL" BECAUSE IT WAS UNABLE TO ACHIEVE ECONOMIES OF SCALE AND HE SEEMED TOTALLY NEUTRAL ON QUESTION OF WHETHER OR NOT TO CONTINUE LOCAL OPERATIONS, LEAVING IMPRESSION THAT MOBIL WOULD PREFER TO KEEP REFINERY HERE OPEN BUT NOT IF LOSSES ON PRESENT SCALE CONTINUED. LUCK DISCLOSED THAT MOBIL OIL BARBADOS WAS ESSENTIALLY BANKRUPT WITH OVER US DOLS 3 MILLION IN DEBTS AND THAT ONLY ACCESS TO CREDIT FACILITIES OF MOBIL INTERNATIONAL KEPT FIRM AFLOAT.

5. COMMENT: MOBIL PRICE SQUEEZE DOES PLACE GOB IN DIFFICULT POSITION. CESSATION OF REFINERY OPERATIONS IS UNACCEPTABLE LIMITED OFFICIAL USE

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PAGE 03 BRIDGE 01173 091558Z

BECAUSE OF HUGE COST INCREASES GOB WOULD INCUR BY IMPORTING REFINED PRODUCTS, TO SAY NOTHING OF LOSS OF EMPLOYMENT, TAXES, ETC. AN ACROSS BOARD PRICE INCREASE IN ALL PRODUCTS WOULD ALSO BE HIGHLY UNPOPULAR IN MIDST OF RAMPANT INFLATION. COST IMPACT WOULD OCCUR NOT SO MUCH IN GASOLINE BUT IN DIESEL FUEL USED FOR ELECTRICITY GENERATION WHICH ACCOUNTS FOR ABOUT 25 PERCENT OF LOCAL MOBIL SALES. REDUCTION OF HEAVY EXCISE TAX WOULD UPSET DELICATE GOB REVENUE BALANCE ACHIEVED BY PM IN BUDGET SPEECH.

OUR GUESS IS THAT GOB MAY LEAN ON OTHER OIL COMPANIES TO SOME
EXTENT, POSSIBLY REDUCING PROFITS OF BARBADOS LIGHT & POWER
COMPANY TO MAKE UP AT LEAST PART OF MOBIL'S ALLEGED SHORTFALL.
FIRM COMMITMENT LOCAL CRUDE PRODUCTION BY GENERAL CRUDE CORP.
WOULD ALSO HELP SITUATION. AS BALL IS IN GOB COURT AT MOMENT
THERE IS NOT MUCH EMBASSY CAN DO EXCEPT AWAIT DEVELOPMENTS AND
BE PREPARED TO ASSIST AS APPROPRIATE.
WOOLLONS

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